

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-218-E - ORDER NO. 2013-900
DECEMBER 20, 2013

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| IN RE: | Application of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs, and Request for Mid-Period Reduction in Base Rates for Fuel |) | ORDER GRANTING DISCONTINUANCE OF THE ELECTRIC WEATHER NORMALIZATION ADJUSTMENT AND AN ACCOUNTING ORDER |
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This matter comes before the Public Service Commission of South Carolina (“Commission”) on a Joint Petition filed by South Carolina Electric & Gas Company (“SCE&G” or “the Company”), AARP, Frank Knapp, and the South Carolina Office of Regulatory Staff (“ORS”) (together, the “Joint Petitioners”) seeking an Order directing the Company (i) to discontinue the Electric Weather Normalization Adjustment (“eWNA”) mechanism effective for bills rendered on and after the first billing cycle of January 2014; (ii) for regulatory and financial accounting purposes, to utilize any gains from the settlement of existing interest rate derivative instruments to offset the remaining unrecovered balance as of December 31, 2013 of the over-credit billing error described in the eWNA report filed by SCE&G on October 21, 2011, and which was \$8,703,975 as of October 31, 2013; and (iii) for regulatory and financial accounting purposes, to utilize any gains from the settlement of existing interest rate derivative instruments to offset the costs associated with a special campaign to promote the Company’s Budget Billing

Program in December 2013 and the first and second quarters of 2014, with such costs not to exceed \$300,000. Based on the reasoning stated below, we issue the requested Order.

The Company states that the request for relief as stated above will not involve a change to any of SCE&G's retail rates or prices, or require any change in any Commission rule, regulation, or policy. Further, the Company asserts that the issuance of the requested relief will not prejudice the right of any party to address this issue in a subsequent general rate case proceeding. For these reasons, SCE&G believes that no notice or hearing is required for the Joint Petition. We agree that this is the case, pursuant to S.C. Code Ann. Section 58-27-870 (F) (Supp. 2013).

By Order No. 2010-471, dated July 15, 2010, this Commission approved a Stipulation among certain parties of record in Docket No. 2009-489-E and thereby authorized SCE&G to implement the eWNA mechanism to mitigate the effects of abnormal weather on customer bills. The eWNA mechanism was launched in August 2010.

On October 21, 2011, SCE&G noted, as part of a report on the eWNA mechanism, that its linear model of customer usage caused a billing error, which resulted in an over-credit being applied to customers, primarily in the months of July, August, and September of 2011. An eWNA billing adjustment going forward was required, as well as modification of the linear model to a quadratic model to prevent the over-credit from recurring. At the time of the report, the billing error adjustment was \$13,989,314. This Commission modified the eWNA mechanism in Order No. 2011-864, dated December

28, 2011. As of October 31, 2013, the remaining balance of the over-credit billing error was \$8,703,975.

The Company initiated a general rate case proceeding by filing an Application on June 29, 2012, for an adjustment to its retail rates (Docket No. 2012-218-E). Frank Knapp and AARP, among others, intervened in the proceeding. During the proceeding, AARP questioned the need to continue the eWNA mechanism and recommended that the eWNA be discontinued. (See Direct Testimony of Ralph C. Smith, p. 11, line 16.)

On November 19, 2012, SCE&G entered into a Memorandum of Understanding (“MOU”) with ORS, AARP, Frank Knapp, and certain other parties of record in Docket No. 2012-218-E. As part of the MOU, SCE&G agreed, among other things, that it would conduct a study of the eWNA mechanism and file a report of its study with the Commission by June 30, 2013. Also, the parties agreed that ORS would analyze and review SCE&G’s study and file a report with the Commission detailing its findings and recommendations for the eWNA by November 1, 2013. The parties also agreed that after ORS filed its report, any party could request a hearing to determine whether the eWNA should be modified or discontinued. This Commission approved the MOU by Order No. 2012-951.

SCE&G and ORS both timely filed their reports. The ORS Report of November 1, 2013, recommended that the eWNA be terminated. Accordingly, the Joint Petitioners request that the Commission issue an order directing the discontinuance of the eWNA mechanism effective for bills rendered on and after the first billing cycle of January 2014, thereby effectively terminating the program as of the last billing cycle of December 2013.

The Joint Petitioners note that the eWNA will still be reflected on electric bills based on meters read through December 31, 2013, even if the bill is received in early January 2014. However, the eWNA will not be reflected on electric bills based on meters read on or after January 1, 2014.

If the Commission grants discontinuance of the eWNA mechanism, the Joint Petitioners also request that the Commission allow SCE&G to recover the remaining balance as of December 31, 2013, of the amount over-credited to customers which was \$8,703,975 as of October 31, 2013. The Joint Petitioners do not seek direct recovery of this amount from customers by way of a rate rider, but request that the Commission allow SCE&G to use any gains from the settlement of existing interest rate derivative instruments to offset the remaining unrecovered balance as of December 31, 2013, of the over-credit billing error.¹ If this approach is adopted by the Commission, SCE&G customer rates would not be impacted, according to the Joint Petitioners.

The Joint Petitioners also request that the Commission allow SCE&G to use any gains from the settlement of existing interest rate derivative instruments to offset the costs of a special campaign to promote the Company's Budget Billing Program, with costs not to exceed \$300,000. This program would be promoted as a way for customers to avoid fluctuations in their utility bills, considering the discontinuance of the eWNA. SCE&G proposes a three-phase campaign: the first in December 2013 prior to the discontinuance of the eWNA, the second in the first quarter of 2014 after discontinuance of the eWNA, and the third in the second quarter of 2014.

¹ Commission Order No. 2013-776 authorized SCE&G to, among other things, utilize any gains from the settlement of existing or future interest rate derivative instruments for the benefit of its customers through offsetting fuel costs or interest expense.

Accordingly, the Joint Petitioners are seeking an Order directing the Company (i) to discontinue the Electric Weather Normalization Adjustment (“eWNA”) mechanism effective for bills rendered on and after the first billing cycle of January 2014; (ii) for regulatory and financial accounting purposes, to utilize any gains from the settlement of existing interest rate derivative instruments to offset the remaining unrecovered balance as of December 31, 2013, of the over-credit billing error, which was \$8,703,975 as of October 31, 2013; and (iii) for regulatory and financial accounting purposes, to utilize any gains from the settlement of existing interest rate derivative instruments to offset the costs associated with a special campaign to promote the Company’s Budget Billing Program in December 2013 and the first and second quarters of 2014, with such costs not to exceed \$300,000.

We have examined this matter, and hold that the Joint Petitioners’ proposals are reasonable, and will allow discontinuance of the e-WNA with no impact on SCE&G’s customers’ rates. We are convinced, after reviewing the record on the matter, that a discontinuance of the eWNA is in the public interest. Among other things, the eWNA’s calculation presented difficulty, and customers complained that they could never predict what their bills would be. Also, the eWNA presented difficulty for those customers who wanted to employ and measure energy efficiency in their homes. The two components were difficult to measure when examined at the same time in the same residence.

Accordingly, this Commission is directing the Company:

(i) to discontinue the Electric Weather Normalization Adjustment (“eWNA”) mechanism effective for bills rendered on and after the first billing cycle of January 2014; (ii) for regulatory and financial accounting purposes, to utilize any gains from the settlement of existing interest rate derivative instruments to offset the remaining unrecovered balance as of December 31, 2013, of the over-credit billing error, which was \$8,703,975 as of October 31, 2013, and which was described in the eWNA report filed by SCE&G on October 21, 2011; and (iii) for regulatory and financial accounting purposes, to utilize any gains from the settlement of existing interest rate derivative instruments to offset the costs associated with a special campaign to promote the Company’s Budget Billing Program in December 2013 and the first and second quarters of 2014, with such costs not to exceed \$300,000.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


G. O’Neal Hamilton, Chairman

ATTEST:



Nikiya Hall, Vice Chairman

(SEAL)